

## Message Text

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11

ACTION EB-07

INFO OCT-01 AF-06 ARA-06 EA-06 ISO-00 AID-05 CIAE-00

COME-00 FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 CIEP-01 LAB-04 SIL-01 OMB-01 INT-05

GSA-01 DODE-00 PM-03 H-02 L-03 NSC-05 PA-01 PRS-01

SS-15 STR-04 CEA-01 /102 W  
----- 083731

R 061250Z JUN 75

FM AMEMBASSY SAN JOSE  
TO SECSTATE WASHDC 0422  
INFO AMEMBASSY CANBERRA  
AMEMBASSY CARACAS  
AMEMBASSY CONAKRY  
AMEMBASSY GEORGETOWN  
AMEMBASSY KINGSTON  
AMEMBASSY PORT OF SPAIN

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E.O. 11652: NA

TAGS: EMIN CS

SUBJECT: STATUS OF ALUMINUM AND COPPER NEGOTIATIONS

1. A TEAM OF TOP-LEVEL OFFICIALS OF ALCOA, LED BY  
PRESIDENT W.H. KROME GEORGE, VISITED COSTA RICA  
EARLIER THIS WEEK FOR CONVERSATIONS WITH COSTA RICAN  
GOVERNMENT OFFICIALS. THEY MET WITH PRESIDENT ODUBER  
AND WITH MEMBERS OF THE GOVERNMENT'S ALUMINUM  
COMMISSION.

2. KROME GEORGE PRESENTED NEW COST ESTIMATES FOR  
THE ALUMINUM PROJECT TO THE COSTA RICAN GOVERNMENT WHICH  
SUGGESTED THAT IN TERMS OF 1974 PRICES, WITH A 10 PERCENT  
INFLATION FACTOR, THE TOTAL COST OF THE HYDRO-ELECTRIC  
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FACILITY, THE SMELTER, THE BAUXITE MINE AND NECESSARY

ROAD AND PORT FACILITIES, WOULD BE OVER \$1.9 BILLION. OF THAT TOTAL, THE PORTION THAT WOULD HAVE TO BE FINANCED BY COSTA RICA (THE HYDRO-ELECTRIC, ROAD AND PORT FACILITIES WOULD COME TO OVER \$700 MILLION. KROME GEORGE TOLD PRESIDENT ODUBER THAT THE ALCOA PORTION WOULD NOW BE A GREATER AMOUNT THAN ALCOA WOULD FEEL ITSELF IN A POSITION TO FINANCE IN TODAY'S ALUMINUM MARKET.

3. THEREFORE, IT WILL PROBABLY BE NECESSARY TO CONSIDER ALTERNATIVES, SUCH AS BRINGING IN A PARTNER (PERHAPS ANOTHER ALUMINUM COMPANY), OR SCALING DOWN THE SIZE OF THE SMELTER. SINCE IT IS NOT PRACTICAL TO SCALE DOWN THE SIZE OF THE HYDRO-ELECTRIC FACILITY, SCALING DOWN THE SMELTER WOULD MEAN THAT COSTA RICA WOULD HAVE TO FIND SOME ALTERNATIVE USE FOR SOME OF THE POWER. ONE POSSIBILITY WOULD BE TO SELL IT TO PANAMA. ANOTHER POSSIBILITY WOULD BE TO ATTRACT ONE OR MORE OTHER NEW POWER-USING INDUSTRIES TO THE COUNTRY.

4. WITH RESPECT TO COPPER, THE ALCOA REPRESENTATIVES BELIEVE THAT COSTA RICA IS NOT PREPARED TO MOVE FORWARD AT THIS TIME. THE COSTA RICANS APPEAR TO BE UNCERTAIN AS TO HOW TO WANT TO PROCEED BUT THERE IS A DANGER THAT THEY WILL SET UP A NEW EXPLORATION REGIME UNDER WHICH COMPANIES WHICH UNDERTOOK EXPLORATION WOULD NOT NECESSARILY RECEIVE ANY RIGHTS TO EXPLOIT DEPOSITS LOCATED.

5. ALCOA REPS AND COSTA RICAN OFFICIALS ARE IN AGREEMENT THAT ALCOA'S OLD CONTRACT WHICH GAVE THEM THE RIGHT TO PRODUCE BAUXITE AND ALUMINA IS OBSOLETE BECAUSE OF HIGHER COSTS AND THE LOW QUALITY OF THE BAUXITE. THE NEXT STEP, ACCORDING TO ALCOA REPS, WILL BE TO NEGOTIATE A MEANS OF TERMINATING THESE CONCESSIONS. AN IMPORTANT ISSUE IN THE NEGOTIATIONS WILL BE WHETHER OR NOT ALCOA WILL HAVE THE UNRESTRICTED RIGHT TO REPATRIATE TO THE U.S. THE PROCEEDS FROM THE SALE OF THE LAND IT LIMITED OFFICIAL USE

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PURCHASED IN CONNECTION WITH THOSE CONTRACTS. THE BOOK VALUE OF THE LAND IS IN THE NEIGHBORHOOD OF \$1.5 MILLION, AND MUCH OF IT IS SUITABLE FOR CATTLE RANCHING. SUBSEQUENTLY, OR SIMULTANEOUSLY, ALCOA WOULD CONTINUE NEGOTIATIONS WITH THE COSTA RICAN GOVERNMENT LOOKING TOWARD A NEW CONTRACT THAT WOULD PERMIT IT TO ESTABLISH THE PROPOSED ALUMINUM SMELTER.

5. ALCOA REPRESENTATIVES WILL RETURN TO SAN JOSE IN  
A FEW WEEKS TO CONTINUE DISCUSSIONS WITH THE  
ALUMINUM COMMISSION.  
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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** ALUMINUM, COPPER, NEGOTIATIONS, PROGRAMS (PROJECTS)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 06 JUN 1975  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** GolinoFR  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Film Number:** D750199-0411  
**From:** SAN JOSE  
**Handling Restrictions:** n/a  
**Image Path:**  
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**Subject:** STATUS OF ALUMINUM AND COPPER NEGOTIATIONS  
**TAGS:** EMIN, CS, ALCOA, (KROME GEORGE, W H)  
**To:** STATE  
**Type:** TE  
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